

Pay Pool Administrator Advisory

2014-03

Issue Date: January 16, 2014

Topic: Calculating GPI for Employees Receiving a Retained Rate

Discussion: Employees on retained pay in AcqDemo receive pay adjustments in accordance with 5 U.S.C 5363 and 5 CFR 536. Specifically, The pay retention fact sheet at OPM.Gov has this to say regarding adjusting retained rates:

“When the maximum rate of the highest applicable rate range for an employee's position of record is increased while the employee is receiving a retained rate, the employee is entitled to 50 percent of the amount of the increase in that maximum rate. This 50-percent adjustment rule applies only when the maximum rate increases are attributable to the adjustment of the employee's existing pay schedule or the establishment of a new pay schedule that covers the employee's existing position of record (e.g., establishment of a new special rate schedule). (See 5 CFR 536.305.)”

Employees on retained pay may read this and commonly interpret it to mean they will receive exactly half of the GPI based on the percent increase to the maximum of their broadband which is incorrect. The actual calculation uses the broadband maximum plus the locality rate which is the highest applicable rate range for AcqDemo employees.

GPI calculation for retained pay employees:

Not Coming Off Retained Pay

A = Local Current Year Broadband Maximum (which incorporates locality pay for those on retained pay)

B = Local New Year Broadband Maximum (which incorporates locality pay for those on retained pay)

GPI Increase = $\frac{1}{2} * (B - A)$

Let's see an example using an NH-II employee on retained pay in the Washington, DC area (24.22% Locality rate) with a current salary of \$93,043.

A = \$81,204

B = \$82,019

GPI Increase = $\frac{1}{2} * (\$82,019 - \$81,204) = .5 * 815 = \$407.5$ which rounds up to \$408 for the GPI Increase

Every NH-II employee on retained pay in the same locality rate area will have the same GPI dollar amount increase (in this case \$408) which is 50% of change in the highest applicable rate range. What they may see different is the GPI percent displayed on the Part I. For all employees, the CCAS tools divide the GPI \$ Increase by the *Current Salary* for the Part I. But for people on retained pay, we don't use Current Salary to calculate the dollar value of the GPI increase percent so this number may be misleading. In the example above, the Part I will show .4% ($408/93,043 = .4\%$), yet we know the employee correctly received 50% of the change in the highest applicable rate range. The farther over the local broadband maximum an employee on retained rate is, the smaller that percentage will be.

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Coming Off Retained Pay

If current salary plus the GPI increase is less than B, then employee will come off of retained pay and be entitled to salary equal to the local broadband maximum. This means that the GPI increase will equal B minus Current Retained Rate, and the GPI percent shown on the Part I will very likely be greater than .5%.

Let's look at an example of an NH-II employee on coming off of retained pay using the same references for A, B and Locality cited in our previous example. This time we'll give the employee a lower Current Salary to see so see how one comes off of retained pay due to the GPI increase.

A = \$81,204 (Local Current Year Broadband Maximum)

B = \$82,019 (Local New Year Pay Broadband Maximum)

GPI Increase = \$408

Current Retained Rate = \$81,519

If Current Salary + GPI Increase < B, then employee comes off retained pay.

$\$81,519 + \$408 = \$81,927 < \$82,019$, employee meets condition to comes off retained pay

Now we calculate the GPI Increase.

GPI Increase = B – Current Retained Rate = $\$82,019 - \$81,519 = \$500$ for the GPI Increase

The employee is entitled to pay equal to the local broadband maximum.

$\$81,519$ (Current Salary) + \$500 (GPI Increase) = \$82,019

The Part I will display the .6% ($\$500/\$81,519$)for the GPI Increase. As mentioned earlier, those coming off retained pay will see a number greater than .5%.